Good afternoon Ladies and Gentlemen.

My name is Alex Perriello and I am president and CEO of the Cendant Real Estate Franchise Group.

I am here today representing the more than 300,000 real estate sales professionals, managers and brokers associated with one of the four Cendant residential real estate brands:

- Century 21®
- Coldwell Banker®
- ERA® and
- Sotheby's International Realty®

First, I would like to thank our hosts today, the Federal Trade Commission and the Department of Justice. I am pleased to be able to present my comments in this forum, and I am doing so with the intention of helping foster a greater understanding on the topic of "Competition Policy and the Real Estate Industry" as it pertains to homebuyers.

Let me begin by stating my opinion on the heart of the matter, which is competition. The residential real estate industry is <u>extremely</u> competitive.

There are 1.1 million licensed Realtor members of the National Association of Realtors® in the U.S. This figure is at a record high, and speaks volumes as to the levels of competition for residential real estate services in this country.

Moreover, there are no significant barriers to entry or expansion in the residential real estate industry. As a result, there has been a dramatic increase in the number of agents entering the industry in recent years.

Even in areas where a new entrant faces one – or several – long-established competitors, there is a proven ability of such dedicated, hard-working entrants to attract listings and clients on both the "buy" and "sell" sides. This ensures that, to the extent there is local demand for alternative pricing or service models, this demand will be filled, either by incumbent firms that are willing to adapt their business models, or by new firms that step in to fill the void.

Just last week, I was speaking with Brad Halter of Coldwell Banker Caine in Greenville, SC and during our conversation, I mentioned to him that I would be here today as a panel member discussing the competitiveness of the residential real estate business and he said …

"Are you kidding? Have them come to Greenville if they want to see competition. My family has been in the business here for 75 years and during those three generations, we have never experienced competition as intense as it is today … Not only from traditional competitors, but a host of newcomers offering discounts and limited service platforms. It seems as though a new service model opens up every month."

Accordingly, based on Mr. Halter's comments and similar stories conveyed to me by brokers and sales associates all across the country, I must admit to being puzzled as to statements that the residential real estate brokerage industry either lacks competition, shuns technology or operates in some sort of anti-competitive manner.

The U.S. real estate market thrives today because buyers and sellers have choices <u>and</u> more choices means more competition.

Let's look at the many options a homebuyer has today. A buyer can purchase a home in any one of the following ways:

- Buy direct from a homeowner (For Sale By Owner)

- Enter into an exclusive buyer's agency agreement
- Deal directly with the listing agent (e.g., walk into an open house and tell the agent "I want to buy this house")
- Work with a number of agents, telling them the exact criteria for the desired home, and doing business with the one who finds that property
- Shop the Internet and review agent profiles online
- Go through an intermediary who will refer them to a sales professional, perhaps so that the buyer can receive a rebate on the commission.

As you can see, there are a myriad of choices for buyers to choose representation, or not, as they seek to purchase a home. From personal experience, I can tell you that homebuyers usually end up selecting someone they both like, respect and trust … someone who is willing to do what it takes to bring the transaction to a successful close.

Real estate … by its very nature … is a local business. Sales associates are predominantly independent contractors who only earn a commission when they close a transaction, and they only make a living when they have satisfied customers time and time again. This requires them to be very competitive and to use all the tools at their disposal, including the willingness to negotiate the price and other terms on which their services are offered.

I would now like to address the impact of technology, more specifically the Internet, on the home buying process.

Today, the true value of the Internet, to the residential real estate industry and consumers alike, is that it is a highly effective marketing tool as well as a tremendous information resource and communication vehicle.

Unlike some industries, the residential real estate industry was among the earliest to adopt Internet technology for the consumers' benefit.

Real estate companies began posting Web sites with property listings in the mid-1990s. Today a broker's Web site will offer multiple property photos, rich text, virtual tours, mapping functionality and neighborhood information just to name a few features.

In so doing, real estate brokers and agents have incurred a variety of new costs associated with technology in an already low-margin business. For example …

- Online advertising/marketing costs (all while maintaining traditional print media costs)
- Hardware – PCs, laptops, servers, networks
- Software
- Digital cameras
- Virtual tour equipment
- Professional technical support for Web sites and agents

- Personal and office technology products

… and the list goes on and on.

These costs have been absorbed, virtually in their entirety, by the industry itself. Consumers have not realized increased transaction costs due to the adoption of new technology in marketing real estate listings. In fact, online searches are a definite time-saver in the way that they empower consumers to select a buyer's or seller's agent, and narrow their home search process from the comfort of their own home or office.

What the Internet does very well is to act as a marketing tool to promote transactions. It is a search tool for consumers and an advertising and communication tool for real estate professionals.

For both parties, there are numerous potential benefits to the increased use of technology in real estate transactions – primarily revolving around the improved speed of the transaction process. Those efficiencies and cost savings will come as transaction management platforms become more sophisticated and widely used.

But, with that said, real estate is not a commodity.

Unlike an airline ticket from Orbitz or a book from Amazon, a house is a unique item that requires in-person investigation and evaluation. The ultimate cost of the wrong decision is significant.

The future role of technology in our business is, accordingly, very difficult to predict.

Undoubtedly, because of the competitive nature of the business, there will be winners and losers just as there has been over the past many decades.

Respectfully, I would suggest there is no need for the federal government to intervene to fix what isn't broken.

Let me now turn to the issue of rebates and inducements for a moment.

In today's marketplace, many consumers expect discounts, rewards and other benefits when shopping for everything from a car to a hotel room to a meal in a restaurant.

Still, some states still prohibit all forms of inducements by real estate licensees. This deprives those consumers of the potential advantages and benefits available to consumers in other states and may limit the competitiveness of real estate offices in the state with those prohibitions.

Our parent company, Cendant, has been working with many of these state Real Estate Commissioners to repeal rules that would prohibit the use of incentives, discounts, sweepstakes and other consumer benefits in a real estate transaction.

Simply put, we feel that prohibitions on inducements are not necessary. The remaining "anti-inducement states" should remove these antiquated laws as just occurred in West Virginia and stop denying businesses the opportunity to offer rebates or inducements.

With that said, however, I feel it is incumbent on me to raise a caution flag on the issue of rebates and inducements.

Choosing someone to represent you in a real estate transaction is a very important decision. Making that choice based solely on who will give you a rebate at the closing is akin to buying a car you may not like just for the manufacturer's rebate.

My advice to homebuyers <u>and</u> sellers is to do their homework. Interview several agents from competing firms, ask tough questions and then decide who you feel is the most qualified to represent you in the transaction.

In closing … choice is important – we believe that consumers – homebuyers <u>and</u> sellers should be able to choose their service model as well as the provider of such services, limited or full service. We encourage free and open competition in the marketplace.

Discount brokerages, referral businesses and lead generation companies have a role to play in the real estate industry. Discounters have been in our business for decades. Some of our brand affiliate brokers participate in referral networks and/or purchase leads from third party marketing companies.

However, we believe that property listings are the work product of the brokers … the MLS industry is a B-to-B relationship and was never intended to be a consumer-direct resource. If an independently owned and operated broker wants to make a business decision to pay someone else for a lead generated off their work product, that's their decision, and we respect their right to run their businesses as they see fit.

Last, but certainly not least, competition is alive and well in the real estate industry today. As Mr. Halter said to me, "Just come to Greenville and see for yourself." There is simply no need for government involvement at this point in time to intervene with the competitive ebb and flow of the free market for residential real estate.

Thank you.

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